

Message Text

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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8906
INFO AMEMBASSY CAIRO
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
USLO RIYADH
AMEMBASSY TEHRAN
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 4988

E.O. 11652: GDS
TAGS: OVIP (BLUMENTHAL, W. MICHAEL)
SUBJECT: TRAVEL BY TREASURY SECRETARY BLUMENTHAL: POSSIBLE
TOPICS FOR DISCUSSION WITH GOK MINISTERS

REF: (A) STATE 207224, (B) KUWAIT 1255.

1. DURING AUG. 30 DISCUSSION OF TREASURY SECRETARY
BLUMENTHAL'S FORTHCOMING VISIT WITH FINANCE MINISTER
ABDULRAHMAN AL-ATEEQI, AMBASSADOR ASKED WHETHER THERE WERE
ANY SUBJECTS ATEEQI PARTICULARLY WISHED TO DISCUSS WITH
TREASURY SECRETARY. FIN MIN'S RESPONSE (PARA 2-5 BELOW) AND
TOPICS WHICH MAY ARISE OR BE APPROPRIATE FOR SECRETARY'S
DISCUSSIONS DURING KUWAIT VISIT (PARAS 6-11) ARE DESCRIBED
BELOW.

2. IN HIS REPLY ATEEQI SAID HE WOULD PREFER TO HEAR WHAT
WAS ON SECRETARY BLUMENTHAL'S MIND AND THEN REACT, BUT
THEN PROMPTLY PROCEEDED TO RAISE SUBJECT WHICH WAS OF
CONSIDERABLE CONCERN TO HIM. HE REPORTED BEING TROUBLED
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BY CONTINUED EFFORTS IN CONGRESS TO INTRODUCE LEGISLATION
WHICH WOULD REQUIRE FULL PUBLIC DISCLOSE OF KUWAITI INVEST-
MENTS IN THE US. HE HAD MADE THIS CONCERN VERY CLEAR TO
SECRETARY SIMON, BOTH IN KUWAIT AND WASHINGTON IN 1975 AND
BEFORE A NUMBER OF LEADING US BUSINESSMEN AT TIME OF
HIS 1975 VISIT TO WASHINGTON. USG WAS FULLY AWARE THAT GOK
HAD NO INTENTION OF TAKING OVER ANY AMERICAN COMPANY. AS

A MATTER OF POLICY, IT NEVER BOUGHT MORE THAN "10 PERCENT" OF THE SHARES OF ANY GIVEN COMPANY ANYWHERE. (COMMENT: ATEEQI PROBABLY GOT HIS PERCENTAGE WRONG HERE. HE AND A NUMBER OF SENIOR KUWAITI OFFICIALS ON NUMEROUS OCCASIONS IN THE PAST HAVE CITED 5 PERCENT AS THE UPPER LIMIT. END COMMENT.) ONLY EXCEPTION WAS KUWAIT'S PURCHASE OF A SIGNIFICANT INTEREST IN DAIMLER-BENZ.

3. USG WAS FULLY AWARE OF KUWAITI INVESTMENTS IN US, ATEEQI CONTINUED, SINCE THESE TRANSACTIONS WERE CONDUCTED THROUGH AMERICAN BANKS AND FINANCIAL INSTITUTIONS. GOK HAD NO OBJECTION TO USG'S KNOWLEDGE OF THESE INVESTMENTS; IT SIMPLY DID NOT WANT THEM "PUBLICIZED ON THE STREET". NOW, ATEEQI SAID, THERE WERE EVEN MOVES TO HAVE DISCLOSURE OF SHARE HOLDINGS OF BELOW 2 PERCENT OF THE SHARES OF A COMPANY. KUWAIT COULD NOT ACCEPT SUCH REQUIREMENTS; IF DISCLOSURE WERE REQUIRED, HE WOULD HAVE TO THINK OF HOW KUWAIT COULD REDUCE ITS INVESTMENTS IN THE US, EVEN THOUGH THE US WAS THE OBVIOUS AND BIGGEST MARKET FOR KUWAITI INVESTMENT.

4. ATEEQI NOTED THAT GOK HAD HAD NUMEROUS EXCHANGES WITH USG EXECUTIVE BRANCH ON DISCLOSURE IN THE PAST. THE PROBLEM WAS THAT THE EXECUTIVE COULD NOT STOP CONTINUING EFFORTS WITHIN THE LEGISLATIVE BRANCH TO FRIGHTEN US CITIZENS ABOUT ARAB INVESTMENT. IT APPEARED, CONFIDENTIAL

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ATEEQI SAID, THAT "THEY WANT US AND THEY DON'T WANT US IN THE US. WE WANT TO INVEST IN THE US BUT WE CAN'T DO SO UNDER THE CONDITIONS BEING PROPOSED IN CONGRESS." ATEEQI SAID HE WAS CONCERNED ABOUT THE ABILITY OF THE EXECUTIVE BRANCH TO PREVENT PASSAGE OF DISCLOSURE LEGISLATION BECAUSE THE PREVIOUS ADMINISTRATION HAD OPPOSED ANTI-BOYCOTT LEGISLATION AND YET THE BOYCOTT LEGISLATION HAD FINALLY PASSED.

5. AMBASSADOR REPLIED THAT HE FELT THE MINISTER'S CONCERNS WERE OVERDRAWN. THE ANTIBOYCOTT AMENDMENTS HAD, IN FACT, BEEN A CAREFULLY DRAFTED PIECE OF LEGISLATION AS THE RESULT OF CLOSE CONSULTATION BETWEEN CONGRESS, BUSINESS AND OTHER INTERESTED GROUPS. AMBASSADOR POINTED OUT THAT THIS LEGISLATION CLEARLY RECOGNIZED SOVEREIGN RIGHT OF STATES TO CONTROL THEIR OWN COMMERCE AND, BY ELIMINATING CONFUSION AND UNCERTAINTY CONCERNING THE US STANCE ON THE BOYCOTT AND PREEMPTING UNCOORDINATED STATE LAWS, ACTUALLY SERVED TO FACILITATE US/ARAB TRADE. IN THE PAST FEW MONTHS, AMBASSADOR SAID, WE HAD HAD VERY PRODUCTIVE DISCUSSIONS WITH VARIOUS GOK OFFICES CONCERNING BOYCOTT MATTERS ON BASIS OF THE NEW US LEGISLATION. FINALLY, HE

INDICATED IT WAS OUR UNDERSTANDING THAT, WHILE VARIOUS DISCLOSURE PROVISIONS HAD BEEN PROPOSED, IT SEEMED UNLIKELY THESE WOULD BECOME LAW.

6. ADMINISTRATION DISCLOSURE POSITION. SINCE THE KUWAITIS ARE SO SENSITIVE ON THIS SUBJECT, TREASURY SECRETARY MAY WISH TO REMIND ATEEQI OF HIS TESTIMONY AGAINST OBJECT-ABLE DISCLOSURE PROPOSALS SURFACED IN CONGRESS AND TO DESCRIBE TO HIM AND ADMINISTRATION'S POSITION ON THIS SENSITIVE SUBJECT.

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C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 4988

7. US ECONOMY AND INVESTMENT CLIMATE. IN THE LIGHT OF KUWAITI INTEREST IN US INVESTMENT, IT WOULD BE APPROPRIATE FOR SECRETARY TO REVIEW FOR KUWAITI OFFICIALS STATE OF US ECONOMY IN GENERAL, AND INVESTMENT CLIMATE IN PARTICULAR. KUWAITI LEADERS FROM AMIR ON DOWN HAVE RAISED WITH AMBASSADOR THEIR ANXIETY ABOUT WORLD INFLATION--AND ESPECIALLY IN US--BECAUSE OF ITS IMPACT ON THEIR INVESTMENT AND OIL REVENUES. THE STABILITY OF THE DOLLAR, TOO, HAS RECENTLY BEEN A SUBJECT OF CONCERNED COMMENT BY KUWAITI OFFICIALS AND THE PRESS, OFTEN IN CONNECTION WITH FACT OIL REVENUES ARE CALCULATED IN DOLLARS. WHILE KNOWLEDGEABLE FINANCIAL LEADERS HAVE DISCOUNTED SUCH FEARS, COMMENT BY SECRETARY BLUMENTHAL ON THIS POINT COULD BE HELPFUL.

8. OIL PRICE INCREASES. CONCERN OVER WORLD INFLATION ALSO

RELATES TO GOK ATTITUDE TOWARD OIL PRICES. KUWAITIS HONESTLY BELIEVE THAT RISES IN THE PRICE OF OIL ARE MORE THAN JUSTIFIED BY COMPARABLE RISES IN WORLD INFLATION. THEY TEND TO FORGET THAT MUCH OF THE INFLATION IN THE PRICES
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OF GOODS IN KUWAIT IS DUE TO LOCAL FACTORS SUCH AS PORT CONGESTION, HIGH LOCAL MARK-UPS, AND LOCAL MONETARY AND FISCAL POLICY. THEY WILL BE INTERESTED IN HEARING WHAT THE ADMINISTRATION IS DOING TO CURB INFLATION IN THE UNITED STATES AND THE WORLD. THEY SECRETARY MAY WISH TO URGE THE GOK, IN THE INTEREST OF CURBING INFLATION, TO EXERCISE RESPONSIBLE RESTRAINT ON THE QUESTION OF FURTHER OIL PRICE INCREASES.

9. MULTILATERAL ASSISTANCE. WITH THE ESTABLISHMENT OF THE KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT IN 1961, KUWAIT HAS BEEN A SYSTEMATIC AID DONOR LONGER THAN ANY OTHER ARAB COUNTRY. SINCE 1973 KUWAIT HAS INCREASED ITS ASSISTANCE DRAMATICALLY, AND HAS BROADENED THIS ASSISTANCE TO INCLUDE NON-ARAB COUNTRIES ON A BILATERAL BASIS. IT HAS ALSO INCREASED ITS CONTRIBUTIONS TO EXISTING MULTILATERAL AID INSTITUTIONS AND HAS JOINED NEW MULTILATERAL ASSISTANCE GROUPS SUCH AS THE OPEC SPECIAL FUND, THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) AND, MOST RECENTLY, THE WITTEVEEN FACILITY, TO WHICH KUWAIT WILL CONTRIBUTE \$400 MILLION. IT WOULD BE USEFUL IF SECRETARY BLUMENTHAL COULD EXPRESS OUR APPRECIATION FOR KUWAIT'S CONTRIBUTION TO THIS FUND AND OUR HOPE THAT KUWAIT WILL JOIN IN FURTHER USEFUL EXPANDED MULTILATERAL LENDING EFFORTS.

10. AID TO EGYPT. KUWAIT IS A MAJOR DONOR TO EGYPT, HAVING PLEDGED \$700 MILLION TO THAT COUNTRY THROUGH THE GULF ORGANIZATION FOR THE DEVELOPMENT OF EGYPT (GODE) ALONE. FINANCE MINISTER ATEEQI HAS BEEN STRONGLY CRITICAL OF EGYPT IN THE PAST, DESCRIBING IT AS A "BOTTOMLESS PIT" FOR ARAB AID. SINCE THE JANUARY 1977 DEMONSTRATION IN EGYPT HIS PUBLIC CRITICISM HAS BEEN MORE
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MUTED. ALTHOUGH HE IS NOT LIKELY TO RAISE THE SUBJECT, HE WOULD PROBABLY BE INTERESTED IN SECRETARY BLUMENTHAL'S VIEWS ON THE ECONOMIC SITUATION IN EGYPT IMMEDIATELY FOLLOWING HIS VISIT THERE, AND ON US/IMF/IBRD EFFORTS TO ASSIST THAT CRUCIAL ARAB COUNTRY.

11. ARAB/ISRAELI PROBLEM. PRIOR TO BEING APPOINTED FINANCE MINISTER IN 1967, ATEEQI WAS UNDERSECRETARY F THE FOREIGN MINISTRY FOR FIVE YEARS AND, BEFORE THAT, KUWAIT'S FIRST AMBASSADOR TO THE US. HE HAS VERY STRONG VIEWS ON THE ARAB/ISRAELI DISPUTE AND, THOUGH HE DID NOT SAY IT IN SO MANY WORDS, IT IS OBVIOUS THAT HE FEELS THAT THE ANTIBOYCOTT LEGISLATION AND PROPOSALS FOR DISCLOSURE ARE THE RESULT OF POWERFUL ANTI-ARAB PRESSURES WITHIN THE US CONGRESS. WHILE IT WILL BE PREFERABLE TO HAVE SECRETARY BLEUMENTHAL'S VISIT FOCUS ON FINANCE AND OTHER ECONOMIC MATTERS, IT IS HIGHLY LIKELY THAT ATEEQI WILL RAISE GENERAL ARAB/ISRAELI PROBLEM. IF HE DOES, HE IS LIKELY TO EXPRESS THESE VIEWS IN VERY FORCEFUL TERMS--AS HE USUALLY EXPRESSES HIMSELF ON MOST MATTERS. ATEEQI SPEAKS FROM THE HEART, BUT HE DOES SO BASICALLY AS A FRIEND OF THE US AND ONE WHO DESIRES CLOSE COOPERATION AND CONSULTATION ON ECONOMIC AND FINANCIAL MATTERS. THE BEST TACTIC IS TO HEAR HIM OUT PATIENTLY, AND THEN STRESS CARTER ADMINISTRATION'S DETERMINATION, AS DEMONSTRATED BY THE RECORD, TO PROMOTE PROGRESS TOWARD A JUST AND LASTING SETTLEMENT OF THE ARAB/ISRAELI CONFLICT.
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